

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Creighton Chan, Manager

Analyst: A. Nastari

Subject: ONE-STEP FOR **INTERNATIONAL BUSINESS MACHINES CORPORATION**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing Computer Systems
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 318,000
 - *In California:* 9,689
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$1,108,640
- Substantial Contribution: \$0
- Total ETP Funding: \$1,108,640
- Total In-kind Contribution: \$3,356,340
 - *Trainee Wages Paid During Training:* \$3,356,340
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara And San Francisco

INTRODUCTION:

International Business Machines Corporation (IBM) is an Information Technology (IT) provider of hardware, software, and IT services for the business industry and the personal user. IBM is headquartered in New York, with a workforce of over 318,000 employees worldwide, 9,689 of whom work in California.

This training initiative is for the IBM's facilities in San Francisco and San Jose, California. These facilities house the following IBM departments: research and development, hardware design and production, business and technical solutions, software development, implementation and customer service. IBM is eligible for ETP funding as a manufacturer under Title 22, California Code of Regulations, Section 4416(b), for standard retraining because it manufactures computer hardware and software systems.

This is IBM's second ETP proposed Agreement which addresses the need to train its frontline workers as the Company continues its move towards new e-business initiatives. The first ETP Agreement assisted IBM to move into the then new e-commerce and e-business market. The primary focus of the training was to provide staff with computer skills needed to develop, service, and maintain the new e-business applications.

According to IBM, it has realized that its customers' needs have become more diversified and their demands more sophisticated than originally anticipated. Customers' are requiring IBM to customize the software applications specific to their needs. In order to thoroughly address these needs and remain competitive, IBM's staff is required to work in cross-functional teams that meet face-to-face with the customer to identify specific needs, identify areas where the application can be redesigned, develop the revised application, and assist with the implementation, servicing, and maintenance of the software application. Staff whose job primarily focused on either software design, development or service, must now possess skills in teambuilding, project management, product design, development, and final implementation. The computer and continuous improvement skills in this proposal will assist IBM's research and development staff and information technology professionals meet the Company's e-business initiatives.

MEETING ETP GOALS AND OBJECTIVES:

IBM proposes training that will further the following ETP goals and objectives:

- 1) ETP training funds are requested to specifically assist employee retraining in a manufacturing company. The funding will be consistent with ETP's legislative mandate and funding priority to foster job retention in manufacturing companies faced with out-of-state competition.
- 2) The proposed training is targeted towards frontline workers in good jobs, earning good wages, above the ETP minimum wage. The training meets ETP's legislative mandate to invest in developing the skills of frontline workers and to foster job retention of high-wage, high-skilled jobs.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Computer Skills Continuous Improvement	1,312	24-150	0	\$845	\$13.48 - \$96.60
					<u>Prevalent Hourly Wage</u> \$39.00	
					<u>Average Cost Per Trainee</u> \$845	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the employer pays health benefits for employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 5%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 0%
<u>Other Employee Benefits:</u> Medical, dental, vision, managed pharmacy program, Employee Assistance Program (EAP), Long Term Care Insurance, IBM Disability Benefits, vacation, Group Life Insurance, Travel Accident Insurance, IBM Savings Plan Program, Employee Stock Purchase Plan, IBM retiree benefits plan, and holiday leave.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations (CCR), Section 4400(ee).

➤ **Production During Training**

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

According to the Company's representatives, IBM opened its manufacturing facility in San Jose, California, in 1952. Since then the Company has expanded from a manufacturer of computer hardware to a developer of software applications that support the information technology demands of its customers. This project addresses IBM's need to train its research and development staff and information technology professionals located at three of its San Jose locations and at a San Francisco facility in skills required to service its customers in the e-business and e-commerce industry.

IBM asserts that e-business customers are requiring more customization of their software applications. In order to meet their specifications, research and development staff and information technology professionals, who were once required to have software development skills specific to their job functions, are now required to understand the full cycle of the software product: from the design, to the technology required for the development, to the final implementation of the product. These skills are further required in order to service and maintain software applications.

By having cross-functional teams, that consist of specialists in certain aspects of the software product meeting with the client, IBM staff is able to readily identify and discuss client problems, provide possible solutions and develop methods of addressing client demands. IBM staff will now be required to have more face-to-face interaction with the client, whereas previously their job functions required them to primarily provide support via the phone or Internet.

Computer Skills: Training will consist of e-business software development and programming solutions for IBM's software engineering staff and information technology professionals. These skills will provide staff with the processes to review clients' existing software, identify areas where redesigning the software will resolve the solution or thoroughly design a customized software program based on customer need.

Continuous Improvement: Training in this area is primarily focused on project management skills that are critical in order to effectively deliver, implement and service IBM's complex e-business solutions. The training will provide staff with principles, methods and processes necessary in order to specifically address each client's needs in a time-sensitive manner.

Project management training will consist of two levels: Level 1 is designed for staff whose job functions have required some experience in project management. Training will be designed for projects of limited size, scope, duration and costs. There will be emphasis on the leadership and team building skills needed to effectively lead, direct and participate in a cross-functional team. Training will not only address leadership within IBM's own teams, but within clients' cross-functional teams as well.

Level 2 is designed for IBM staff whose jobs have required more experience in project management. This advanced level of training will provide a more complete working knowledge of IBM processes related to Integrated Product Development and Customer Relationship Management. Lastly, training in Customer Relationship Management will focus on technological advancements that allow sophisticated tracking and monitoring of customer behavior and satisfaction.

NARRATIVE: (continued)

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

IBM reports that it provides its research and development staff and information technology and services professionals with computer programming training at basic and intermediate levels. The training outlined in this curriculum is more in-depth, in a more complex area of e-business. IBM's staff requires the technological expertise for the development, engineering, programming, and servicing of software solutions. Although IBM currently provides its professionals with job-related training that enhances their skills, the proposed training is more advanced and at levels beyond those that IBM provides in its on-going training programs. The training allows IBM to broaden its project management teams and will encompass a wider range of cross-functional occupations that will work directly with the client. The accelerated curriculum in this proposal will allow IBM not only to expand the number of employees who will receive training, but will also provide staff with the skills needed to design, implement and service IBM's complex software solutions using cross-functional teams.

SUBCONTRACTORS:

None

THIRD PARTY SERVICES:

Strategic Partnerships LLC, Sacramento, California, approximately \$11,000 for the development of the ETP application process.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET02-0317	San Jose	04/08/02 – 04/07/04	97%	\$626,780	\$626,780

International Business Machines Corporation (IBM)

MENU CURRICULUM

Class/Lab hours: 24-150

COURSE TITLE AND DESCRIPTION

I. Computer Skills/Software Development & Programming

- A. Custom Development
- B. Storage Systems
- C. Networking
- D. Business Intelligence & Data Warehousing
- E. Linux
- F. Base Technologies
- G. End User
- H. Systems Administration
- I. Systems Clustering
- J. High Availability Systems
- K. Database and Transaction Systems
- L. Advanced WebSphere

II. Continuous Improvement

- A. Project Management I
 - Defining the project
 - Organizing the team and communications planning
 - Creating hierarchical decomposition structures
 - Understanding Risk Management
 - Understanding change management
 - Executing and controlling the project
 - Project reviews and closing the project
- B. Project Management II
 - Life Cycle Concepts
 - Project Planning
 - Understanding Team Dynamics
 - Cost Estimating
 - Schedule and Cost Control
 - Managing Teams
 - Customer Relationship Management
 - Quality